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Livestock and Products

Annual

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Report Highlights:

In 2004 and 2005, big changes are expected in the European Union. The Enlargement, which brought ten new member states into the EU, and the CAP reform, which will change the support system for farmers, are likely to affect the production of livestock in several ways. Since 2002, the EU-15 has been a net importer of beef. This trend is expected to continue, as beef production continues to decrease throughout the EU-25. The CAP reform sets new rules for production. With the reform, farmers are expected to produce according to market demand, as farm support payments become independent from production. The CAP reform also promotes improving environmental, animal welfare and food quality standards. For the ten new member states, the subsidies system will be phased in over a 10-year period.

Includes PSD Changes: Yes
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On May 1, 2004, 10 New Member States (NMS) joined the European Union (EU), increasing EU membership from 15 to 25 countries. With the 10 acceding member states - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia – the new EU-25 encompasses 455 million people and land area of over 1.5 million square miles.

The unprecedented scope of the Enlargement and the recent reform of the Common Agricultural Policy create exceptional circumstances for forecasting future trends in production, trade, and consumption.

Many European farmers are still struggling to understand the implications of the new CAP reform, particularly for beef. Cattle slaughter numbers and beef production in the EU-15 are projected to increase slightly in 2004, as farmers continue to receive payments under the old system. With the introduction of decoupled payments in 2005, beef production is expected to decrease. Pork production will remain largely unaffected by the new CAP measures, although there could be some indirect effects tied to rising feed costs.

Trade dynamics in the new EU-25 are still evolving. With the removal of trade barriers on May 1st, buyers from the EU-15 rushed to buy less expensive meat from the NMS. This has had a significant effect on meat prices. Since 2002, the EU-15 has been a net importer of beef. This trend is expected to continue for the EU-25, as beef production stabilizes under the new CAP system, and as the growing volume of intra-EU trade overshadows the significance of external trade.

According to the EU Commission, new legislation regarding animal transportation, specifying the length and conditions of travel, should become effective in 2005. However, many believe that it will be very difficult to keep to the proposed schedule.

CATTLE EU-25

Commodity	Animal Numbers, Cattle (1000 Head)					
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]
Market Year Begin	01/2003		01/2004		01/2005	
Total Cattle Beg. Stks		89,185		87,638		86,305
Dairy Cows Beg. Stocks		24,507		24,053		23,685
Beef Cows Beg. Stocks		13,858		13,896		13,795
Production (Calf Crop)		31,344		31,130		30,820
Extra EU25 imports		23		25		30
TOTAL SUPPLY		120,552		118,793		117,155
Extra EU25 exports		460		395		225
Cow Slaughter		7,319		7,105		6,990
Calf Slaughter		6,038		6,000		5,965
Total Slaughter		29,653		29,545		29,250
Loss		2,801		2,548		2,440
Ending Inventories		87,638		86,305		85,240
TOTAL DISTRIBUTION		120,552		118,793		117,155

Source: FAS EU Posts

With the continuing upward trend in EU-15 milk productivity, dairy cow beginning stocks declined in 2004. The decrease in dairy cow stocks numbers was more significant in Italy as cow slaughter increased to bring Italian milk production in line with its EU milk quota. Dairy cows dominate the meat market in the NMS, with beef breeds virtually non-existent in Poland, and in limited numbers in the Czech Republic and Hungary.

The 2004 EU-15 beef cow beginning stocks remain stable. Increasing cattle numbers in the Netherlands, Spain, Portugal, and the United Kingdom offset declines in France, Germany, Belgium, Ireland and Austria. However, the decrease in France and Ireland was smaller than previously anticipated. Beef cow numbers in Spain increased, as farmers responded to the retention of coupled payments for suckling cows. The coupled payments for suckling cows also remained in effect in France, Belgium, Austria and Portugal. Portugal obtained rights for an additional 80,000 premia for suckling cows. German beef cow beginning stocks were adjusted upward by 90,000 head due to a statistical revision. While 2004 cattle numbers declined in the NMS, increasing farm-gate beef prices and the positive effects of the EU CAP support could result in higher beef cattle inventories and increased beef production in the next three to five years.

As a result of lower beginning inventories, a lower calf crop is forecast for 2004 and 2005. Cattle imports for the EU-15 cattle are expected to increase, primarily with the movement of animals from the NMS. In 2003, Poland, which accounts almost half of NMS exports to the EU-15, exported a record 560,000 head of young fattening cattle mostly to the EU-15 and to

Bosnia-Herzegovina. The decrease in overall supply will lead to a decrease in cattle exports to North Africa and the Middle East. EU-15 exports, mainly to Lebanon, Morocco, Algeria and Libya, could increase slightly in 2004. However, member states such as Ireland are expected to export less due to declining cattle numbers and higher prices for slaughter animals. In the long run, cattle exports from the NMS could also decrease due to increasing restrictions on live animal transportation resulting from the Convention on international animal transport¹.

Total slaughter in the EU-25 is expected to decline, especially after February of 2005 when beef slaughter premiums are decoupled in Belgium, Denmark, Germany, France, Ireland, the United Kingdom and Sweden. In the short term, slaughter numbers are expected to increase as producers adjust their inventories under the new system. For countries choosing to decouple payments in 2006, a similar pattern is expected. In the NMS, slaughter is expected to decline in 2004 and remain stable in 2005. After an increase in dairy cow slaughter in 2003, the NMS are trying to gradually adjust to EU production standards. A large number of Polish slaughter and processing facilities are receiving substantial EU co-financing investment funds as they upgrade and expand facilities. In the EU-15, there is strong demand for the import of slaughter animals from the NMS.

For 2003, EU-15 cattle loss estimates were revised upward by about 500,000 head. This was based on new loss estimates from France.

Cattle calf crop production (Top 3 EU-15 member states) 1000Head

	2004	2005
France	7,050	6,980
Germany	4,691	4,632
United Kingdom	3,133	3,100

Cattle calf crop production (Top 3 NMS) 1000Head

	2004	2005
Poland	2,450	2,400
Czech Republic	508	500
Hungary	305	300

Cattle slaughter (Top 3 EU-15 member states) 1000Head

	2004	2005
France	5,470	5,390
Italy	4,250	4,270
Germany	3,970	3,950

Cattle slaughter (Top 3 NMS) 1000Head

	2004	2005
Poland	2,000	2,000
Czech Republic	360	355
Hungary	165	171

Cattle exports (Top 3 EU-15 member states) 1000Head

	2004	2005
Germany	110	110
France	44	38
Ireland	50	20

¹ See chapters on Animal Welfare and Animal Transportation

Cattle exports (Top 3 NMS) 1000Head

	2004	2005
Poland	500	400
Hungary	86	72
Czech Republic	50	50

Beef EU-25

Commodity	Meat, Beef and Veal					
	2003		2004		2005	
	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]
Slaughter (Reference)		29,653		29,545		29,250
Beginning Stocks		238		39		14
Production		8,045		8,035		7,915
Extra EU25 imports		517		525		535
TOTAL SUPPLY		8,800		8,599		8,464
Extra EU25 Exports		437		410		370
TOTAL Domestic Use		8,324		8,175		8,084
Ending Stocks		39		14		10
TOTAL DISTRIBUTION		8,800		8,599		8,464

Source: FAS EU Posts

Most EU-15 beef intervention stocks were liquidated at the beginning of 2004. Barring a crisis, no interventions are expected in the future. In 2004, EU-15 beef production is expected to remain close to 2003 levels despite a minor reduction in the number of animals slaughtered. Average slaughter weights are increasing in Germany, the United Kingdom and Italy; however, stable slaughter weights elsewhere, and a reduction in numbers of animals slaughtered, are expected to lower beef production in 2005. The NMS account for about 9 percent of EU-25 beef and veal production.

EU-15 beef imports are forecast to increase in 2004 and 2005, primarily due to lower domestic production. Accession countries like Poland, Hungary and Slovenia are the most likely to benefit from growing import demand, taking advantage of better market access and competitive prices. NMS beef imports are also expected to increase as incomes rise. High quality corn-fed beef is not produced in Poland. Polish imports of U.S. choice beef were discontinued after May 1, 2004, as Poland applied the EU import restrictions on U.S. beef. Nevertheless, Poland remains a major importer of beef offal, and imports of U.S. tripe continued even after May 1, 2004, as long as they originated from U.S. plants eligible for export to the EU. A bilingual certificate must accompany U.S. beef tripe exported to Poland.

EU-25 beef exports are expected decrease in 2004 and 2005 despite the trend for increased trade with new EU member states. This reflects uncertain conditions in key EU-15 export markets such as Russia and Egypt. The EU recently negotiated a uniform veterinary certificate with Russia. After Russia threatened to suspend trade, the two parties reached an agreement on a new certificate that will replace the need for separate certificates from individual EU countries. In August 2004, the Polish Veterinary Service announced that as a result of a Russian audit, only 19 Polish red meat plants remain eligible for exporting to Russia. This could have a detrimental effect on Polish red meat exports for 2004 and 2005. The Polish Veterinary Service is still in the process of arranging additional audits by Russian veterinarians.

The NMS generally export more beef than they import. This has been especially true after EU enlargement, as increasing demand for cheaper beef has placed upward pressure on prices. In some of the NMS, wholesale prices have risen by as much as 30 to 50 percent. Domestic retailers in the NMS have absorbed some of the price increase, with average retail prices rising by only 10 to 15 percent. Within the few months of EU accession, the Polish wholesale price for chilled beef quarters destined for export to the EU-15 increased by 53 percent. Production and consumption is expected to stabilize, and Polish beef exports are forecast to decline in 2005, especially as the beef price differential between the EU-15 and the Polish beef market evaporates. Over the longer term, the competitive strength of the Polish beef industry is expected to improve, becoming a significant beef supplier in the EU-25 market.

European consumers generally exhibit different attitudes and different degrees of awareness towards beef imported from third countries, especially imports from South America. Consumer information, particularly for meat consumed in the hotel and restaurant industries, seems to sometimes lack transparency. In 2004, beef consumption in the EU-15 is expected to have fully recovered from the impact of BSE. Over the long term, per capita consumption seems to be on a downward trend due to increased health concerns and high consumer prices. In the NMS, beef consumption is relatively low. The government of the Czech Republic operates a subsidized beef stock program to minimize the impact falling consumption.

Beef production (Top 3 EU-15 member states) 1000MT

	2004	2005
France	1,550	1,530
Germany	1,230	1,220
Italy	1,139	1,150

Beef production (Top 3 NMS) 1000MT

	2004	2005
Poland	285	285
Czech Republic	190	280
Hungary	37	38

Beef consumption (Top 3 EU-15 member states) 1000MT

	2004	2005
France	1,552	1,548
Italy	1,435	1,438
Germany*	1,030	1,020

* Germany slightly surpasses the UK.

Beef consumption (Top 3 NMS) 1000MT

	2004	2005
Poland	230	230
Czech Republic	175	175
Hungary	30	30

Beef exports (Top 3 EU-15 member states) 1000MT

	2004	2005
Ireland	106	100
Germany	62	62
Italy*	38	37

*Italy slightly surpasses Spain.

Beef exports (Top 3 NMS) 1000MT

	2004	2005
Poland	80	65
Czech Republic	15	15
Hungary	12	13

Swine EU-25

Commodity	Animal Numbers, Swine 1000 Head					
	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Market Year Begin	01/2003		01/2004		01/2005	
TOTAL Beginning Stocks		154,311		152,569		151,970
Sow Beginning Stocks		14,254		13,903		13,950
Production (Pig Crop)		257,272		254,500		256,370
Extra EU25 imports		7		7		7
TOTAL SUPPLY		411,590		407,076		408,347
Extra EU25 exports		404		300		320
Sow Slaughter		3,887		3,849		3,845
Total Slaughter		245,111		241,925		243,340
Loss		13,506		12,881		12,267
Ending Inventories		152,569		151,970		152,420
TOTAL DISTRIBUTION		411,590		407,076		408,347

Source: FAS EU Posts

In 2003, EU-15 pig production fell, mainly as a result of record high temperatures during the summer months, which negatively affected sow fertility. The decrease in pig production was greater than previously projected (Report E24018). Deteriorating profit margins at the end

of 2003 further exacerbated production conditions. In addition, pig production in the UK dropped sharply from the previous year's level due to re-stocking and reduced sow fertility as a consequence of the presence of PWMS (Post Weaning Multisystemic Wasting Syndrome). EU statistics indicate that the EU-15 swine inventories fell by about 700,000 animals during 2003. This decrease was also partly due to tightening environmental regulations regarding manure disposal in the Netherlands and Belgium (600,000 fewer animals), and the low pig crop in the UK (500,000 fewer animals). However, ending swine inventories increased in Spain (plus 500,000), Germany (plus 250,000), and Denmark (plus 100,000). Higher than expected slaughter in Spain also led to an upward revision of the 2003 EU-15 swine slaughter figures.

The EU-15 pig crop is expected to decline in 2004 due to lower sow beginning stocks. High feed prices and small profit margins on pig meat production at the end of 2003 and beginning of 2004 are expected to have a negative impact on total swine slaughter numbers for 2004. Profit margins are expected to improve during the second half of 2004 and throughout 2005, particularly as feed grain prices fall. This should spark a recovery in pig production in 2005.

In 2005, pig stocks are expected to increase in the UK, Denmark and Spain. In the UK, the breeding herd is expected to recover. Despite increasing environmental restrictions, Danish swine numbers are expected to follow the historical trend, growing by about one percent a year. Pig numbers are expected to fall in the Netherlands, Belgium and Germany. Continuing environmental restrictions are the main reason for declining pig inventories in the Benelux. The German inventory peaked in late 2003, and is expected to contract during 2004 and 2005 due to declining profitability in the sector.

Poland's hog cycle is expected to bottom out in the second half of 2004, with a likely recovery of inventories in 2005. The outlook is similar for Hungary and the Czech Republic. Hog slaughter and pig meat output are expected to decrease in 2004 due primarily to higher feed grain prices.

Since joining the EU in May, Hungarian swine imports from the Czech Republic, Poland and the EU-15 have stopped. Hungarian exports of live swine to Romania, the Ukraine, Croatia and Bulgaria are also declining. With the decline in Hungarian swine numbers, slaughter has decreased to a point where Hungary is now utilizing little more than half of its slaughter capacity of 10 million pigs.

Despite increasing imports from the EU-15, the Czech Republic's hog supplies are also inadequate. While live animal trade is expected to soon stabilize, Czech slaughter numbers are forecast to fall again in 2005. 2005 swine inventories are also expected to fall as more Czech farmers concentrate their efforts on crop production.

Pig crop production (Top 3 EU-15 member states) 1000Head

	2004	2005
Germany	43,855	43,864
Spain	40,213	40,400
Denmark*	27,600	28,100

*Denmark slightly surpasses France

Pig crop production (Top 3 NMS) 1000Head

	2004	2005
Poland	23,350	24,900

Hungary	7,000	7,050
Czech Republic	4,900	4,850

Swine slaughter (Top 3 EU-15 member states) 1000Head

	2004	2005
Germany	45,360	45,100
Spain	39,800	39,800
France*	25,590	25,600

*France slightly surpasses Denmark

Swine slaughter (Top 3 NMS) 1000Head

	2004	2005
Poland	22,300	22,850
Hungary	5,800	5,776
Czech Republic	4,450	4,400

Swine exports (Top 3 EU-15 member states) 1000Head

	2004	2005
Germany	31	35
The Netherlands	30	30
Austria	12	15

Swine exports (Top 3 NMS) 1000Head

	2004	2005
Poland	30	30
Hungary	148	145
Czech Republic	57	80

Pig Meat EU-25

Commodity	Pigmeat (1000 MT CWE)(1000 HEAD)					
	2003		2004		2005	
	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Slaughter (Reference)		245,111		241,925		243,340
Beginning Stocks		121		58		26
Production		21,243		21,000		21,110
Extra EU25 imports		22		18		18
TOTAL SUPPLY		21,386		21,076		21,154
Extra EU25 exports		1,325		1,250		1,165
TOTAL Domestic Use		20,003		19,800		19,965
Ending Stocks		58		26		24
TOTAL DISTRIBUTION		21,386		21,076		21,154

Source: FAS EU Posts

EU-15 pig meat production is expected to decrease in 2004, mainly as a result of reductions in the overall breeding herd. The 2003 summer heat wave also appears to have had a longer lasting effect on sow productivity. While the Enlargement has increased the EU pig herd by about 18 percent, meat production in the NMS is still catching up to EU-15 standards. In accession countries like Poland, where pig meat accounts for about 65 percent of total meat production, a number of slaughter facilities are still working to upgrade their technology. Without foreign investment, financing upgrades in meat technology is a significant challenge for smaller abattoir.

During the first half of 2004, pig meat prices have been relatively high. This is expected to help lift 2005 pig meat production closer to the 2003 level. Also, the anticipated improvement in feed grain supplies should result in higher slaughter numbers for 2005.

In 2004, EU pig meat imports are expected to decrease by 18 percent. As a result of the EU Enlargement, Poland is expected to reduce its level of imports from countries outside the EU-25. Imports of U.S. origin will be very limited, as Poland will be able to only import U.S. pig meat from plants eligible to export to the EU.

In 2003, EU-15 exports of pig meat declined by almost three percent, primarily as a result of the Russian Tariff Rate Quota (TRQ) on fresh and frozen pig meat, and strong competition from Brazil. However, exports to Japan, the main export destination for EU-15 pig meat, increased by eight percent. Exports to Japan mainly originated from Denmark between April and August when the pork safeguard was not in effect. Avian influenza in South East Asia and the trade restrictions in connection with BSE have increased the demand for pig meat on the world market. Prices are now at the highest level of the last two years. In general,

exports from the EU-15 to Russia are expected to decrease in 2004. The current Russian TRQ sets a limit for the EU-25 at 227,300 tons for 2004.

Intra-trade with the NMS is expected to increase slightly. Exports from France are expected to increase (25,000 tons), especially to Asian markets like Japan, Korea, Philippines, and China. Denmark will also increase exports (40,000 tons) to Japan and Australia, even as shipments to Russia and the US stagnate. For the first four months of 2004, Danish exports to Japan increased by 30,000 tons to 120,000 tons, compared to 2003. Even with the pork safeguard effective from August 1, 2004, Denmark expects to export 270,000 tons of pig meat to Japan in 2004, up 40,000 tons from the previous year. German exports are forecast down by 30,000 tons, mainly as a result of diminishing competitiveness in the Russian market.

After a very strong year for Polish exports in 2003, mainly driven by the pre-accession liquidation of government stocks, exports are expected to drop substantially in 2004 due lower hog inventories and lower meat production. Hungarian exports will also decline as pig meat production has fallen. In early 2004, Hungarian exports to the EU-15 were drastically reduced as a result of poor price competitiveness. Exports are expected to normalize in the latter half of 2004 and in 2005. With declining domestic pig meat production in the Czech Republic, Czech imports from the EU-15 are expected to increase. However, domestic pork consumption, which stands at about 45 kg. per person, is gradually shifting toward poultry consumption. This will enable Czech pork exports, directed mainly outside the EU-25, to grow in 2004..

Pig meat production (Top 3 EU-15 member states) 1000MT

	2004	2005
Germany	4,240	4,210
Spain	3,320	3,320
France	2,060	2,070

Pig meat production (Top 3 NMS) 1000MT

	2004	2005
Poland	1,680	1,710
Czech Republic	561	550
Hungary	458	456

Pig meat consumption (Top 3 EU-15 member states) 1000MT

	2004	2005
Germany	4,470	4,465
Spain	2,795	2,800
Italy	2,240	2,220

Pig meat consumption (Top 3 NMS) 1000MT

	2004	2005
Poland	1,589	1,650
Czech Republic	580	576
Hungary	438	433

Pig meat exports (Top 3 EU-15 member states) 1000MT

	2004	2005
Denmark	515	500
Germany	140	140
France	137	143

Pig meat exports (Top 3 NMS) 1000MT

	2004	2005
Poland	160	100
Hungary	32	45
Czech Republic	28	25

Budget and Trade

Common Agriculture Policy, CAP reform

On September 29, 2003, the Agriculture Council formally adopted the legal texts of the June 2003 CAP Reform agreement. The regulations on CAP reform have been published in Official Journal L 270 - 10/21/2003. Reforms are to be introduced starting in 2004, though Member States have the option to delay implementing some of the decoupling measures until 2008.

Regulation 1782/2003 contains Horizontal rules (single farm payment, set-aside, modulation, etc.).

For beef, the number of animals to which the suckler cow premium applies will be increased by 1.75 percent in the total number of animals eligible for suckler cow premia (50,000 in Austria and 139,000 in Portugal).

The maximum percentage of heifers that may receive suckler cow premium is set at 40 percent. The number of animals eligible for the special beef premium in Austria will be reduced by 50,000. From the date of application of the Single Farm Payment (SFP), the definition of calves is changed (the maximum age is raised from 7 to 8 months and the maximum carcass weight from 160 to 185 kg). Current headage payments will become part of the SFP in 2005.

The CAP reform would only indirectly affect the pig and pig meat sectors production and consumption, since no direct changes to these markets have been made. However changes in feed prices would have an important impact on the sector.

The CAP and the Enlargement

Farmers in the NMS have full and immediate access to the CAP market measures, such as intervention and export refunds. This will help to stabilize and increase their incomes.

There is a rural development package, which is specifically adapted to the requirements of the NMS. The amount available for the NMS's is fixed at € 5 100 million for 2004-2006.

Separately, hundreds of Polish meat plants are receiving EU development and co-financing funds as they adjust to EU membership.

Direct subsidies will be phased in over 10 years. The NMS will receive 25 percent of the full EU rate in 2004, rising to 30 percent in 2005 and 35 percent in 2006. The NMS have the opportunity to top up these payments to 55 percent in 2004, 60 percent in 2005 and 65 percent in 2006 from the NMS's rural development funds and national budgets. There is

also an option to apply a simplified direct aid system for a transition period if a new Member State so wishes.

There are many “semi-subsistence” farms in the NMS, which produce for their own consumption but also market part of their production. To help to turn them into commercially viable units, and to contribute additional income support while the farm is upgrading, a specific measure of maximum € 1,000 a year per semi-subsistence farm is offered. There is also a special aid to help farmers to meet the EU standards.

From the first day of accession a wide range of rural development measures is co-financed at a maximum rate of 80 percent by the EU. The accession agreement also states that spending on the Structural Funds in the new Member States over the period 2004-06 is to be fixed at € 21,900 million. The new Member States will reach the CAP support level applicable in the current EU in 2013. As this money can be topped up with rural development money or national funds, the accession agreement should provide the new Member States' farmers and rural areas with well-targeted and well-financed measures to assist their incomes and development.

Bulgaria and Romania have not yet concluded their accession negotiations. These two countries are now expected to join the EU in 2007. The EU has not yet determined that Turkey has met the 1993 Copenhagen criteria for beginning negotiations and will revisit the issue in December 2004.

Export Refunds

Export refunds in the beef sector are very stable and the level for these exports has been the same since 2002.

The Commission is following developments in the NMS. The NMS have low prices and could with the support of the export subsidies sell very cheap. However, so far they seem to have chosen to sell their beef within the European Union where they can get a good price for their products.

Double Zero Agreements

In 2000, the EU concluded double zero agreements with ten European countries, which had applied for EU membership. Under these arrangements, about 75 percent of EU agricultural imports from these countries was able to enter the EU at zero duty while EU export quotas to these countries at zero duty (and without export refunds) would double.

The double zero agreement is no longer in effect for the countries that are now members of the European Union. However, Bulgaria and Romania—both candidate countries for accession—still benefit from the double zero agreement.

Policy

Animal by-products legislation

European Parliament and Council regulation 1774/2002 establishes the health rules concerning animal by-products not intended for human consumption and replaces Directive 90/667/EEC.

This regulation as well as the Transmissible Spongiform Encephalopathies (TSE) regulation was developed in response to the BSE crisis and is part of the EU's strategy to eradicate food-borne crises. The Animal By-products Regulation (ABR) covers all animal products not intended for human consumption, and as such covers both products for technical uses and animal by-products used in the production of feeds and pet food. This regulation requires that animal by-products used in the production of feeds and pet food be derived from the carcasses of animal declared fit for human consumption following veterinary inspection (category 3 products in the regulation).

Provisions include a ban on intra-species recycling and fallen stock and restrictions on yellow grease. Certain categories of pet food have to be denatured with specified substances. Pet food plants have to be dedicated to production of product fit for human consumption.

Implementation of the animal by-products legislation, originally scheduled for May 1, 2003, has been postponed several times. The implementing regulation 668/2004 provides model health certificates for a large number of products including pet foods. After June 15, 2004, APHIS will only issue new certificates. Member states have been instructed to accept shipments accompanied by the old certificates until August 15, 2004, provided the shipment has left the U.S. before June 15, 2004 (Commission Regulation 878/2004).

Red Meat Lists

U.S. meat and meat products have to come from EU approved establishments. Lists of EU approved establishments are drawn up under the supervision of the Food Safety and Inspection Service (FSIS) as meat and meat products are concerned. Establishments are subject to FSIS inspections prior to listing and/or to occasional EU audits after listing.

The updated list of EU approved meat establishments in the US can be found at: <http://forum.europa.eu.int/irc/sanco/vets/info/data/listes/01us.pdf>. The lists for red meat were paused for new establishments in November 2003 subsequent to an audit of the meat sector carried out in the USA by the Commission's Food and Veterinary Office in September 2003.

Ban on use of growth promoters

Only U.S. beef raised and slaughtered under the Non-Hormone Treated Cattle program (NHTC) can be exported to the EU. No hormone-treated beef is allowed to enter the European Union.

On January 1, 1989, the European Union implemented a ban on imports of red meat from animals treated with 6 growth promotants, cutting off U.S. beef exports to the EU

On 22 September 2003, directive 2003/74/EC amending Council Directive 96/22/EC concerning the prohibition of the use of growth-promoting substances in food-producing animals was signed by the European Parliament and Council. The directive restates old EU positions on the use of hormonal and thyrosatic substances and of beta-agonists. The Directive, however, specifically finalizes the prohibition of estradiol-17b for growth promotion purposes, and continues provisionally the prohibition on the remaining 5 natural and

synthetic hormones (testosterone, progesterone, zeranol, trenbolone acetate and melengestrol acetate) "while the Community seeks more complete scientific information from any source".

All six hormones are approved for use in the US. Since these substances had been provisionally prohibited for many years, there is no change in the status. The use of estradiol-17b for therapeutic purposes or zootechnical treatment continues to be permitted until 14 October 2006.

Animal Welfare

The Treaty of Amsterdam, in force since 1st May 1999, lays out new ground rules for the actions of the EU on animal welfare in a special "Protocol on the animal welfare". It recognizes that animals are sentient beings and obliges the European Institutions to pay full regard to the welfare requirements of animals when formulating and implementing Community legislation.

The legislation for animal welfare covers: animal welfare on the farm, during transport and at the slaughter.

Animal Transport

In June 2004 the European Council signed a proposal by the European Commission adopting a decision for the European Union to sign the revised European Convention for the protection of animals during international transport. This international Convention will increase the requirements for the protection of transported animals in Europe. It revises the existing Convention adopted in 1968 and introduces major improvements for animal welfare that are consistent with the recent Commission proposal on animal transport (see IP/03/1023) and existing EU legislation.

In the new EU proposal, these are some of the changes:

- ◆ The maximum hours of traveling would be nine, plus minimum twelve hours of rest before next travel.
- ◆ Ban for traveling above 100 km with young animals, which is: piglets less than four weeks, lambs less than one week and calves less than 2 weeks.
- ◆ For long distances, there would be specific temperatures according to species.
- ◆ For long distances there would be a prohibition on tying animals, and more space according to species and length of journey (Forty percent more for pigs, sixteen percent more for pigs).
- ◆ The new animal transport regulation is expected to be in force by the end of 2005. However actual timing of complete Member State implementation will likely vary.

Commissioner Byrne also stated that the Commission would work towards the ambition that all animals shall be slaughtered in their country of origin.

Food Hygiene

The White Paper outlined a radical revision of the EU's food hygiene rules. The "hygiene package" aims to merge, harmonize and simplify very detailed and complex hygiene requirements currently scattered over 17 directives. The overall aim is to create a single

hygiene regime covering food and food operators in all sectors, together with effective instruments to manage food safety and any possible food crises, throughout the food chain. Food producers will bear primary responsibility for the safety of food through the use of a "Hazard Analysis and Critical Control Points" system (HACCP).

Certain food establishments will need to be registered or to be approved by the competent authorities. Competent authorities should have control systems in place in order to verify with food law in general and with food hygiene in particular.

Feed Hygiene

The objective of the proposal on feed hygiene is to ensure feed safety at all stages that may have an impact on feed and food safety, including primary production. The proposal introduces the HACCP principles for the feed business operators other than at the level of primary production. Only feed from approved operators in third countries could be imported. It also introduces good manufacturing and feeding practices.

The main on-farm obligations are:

A general commitment to be followed by farmers who produce feed, ensuring that they will act in a way that minimizes hazards and that will protect products against contamination and spoilage.

The obligation to keep records relating to feed placed on the market or used on the farm.

The legal recognition of "codes of good practice" to be established by the agricultural sector and giving guidance to the farmers on the reduction of hazards on the farm.

The obligation for farmers producing feed to be registered. This measure will allow the traceability of feed from the beginning of the food chain.

Animal diseases

BSE

Since 1989, the European Commission, in co-operation with the Member States, has taken a series of measures to manage the risk of BSE in the EU. Since September 1999, the Directorate-General for Health and Consumer Protection is responsible for the measures to protect both human and animal health from the risk of BSE.

In 2003, a total of 10,592,436 animals were tested in the EU-15. 3,197 animals turned out to be positive. The positive cases in bovine animals were considered as BSE cases, while those in ovine and caprine animals as scrapie.

78 percent of positive cases were detected by the active monitoring (testing of risk animals, healthy slaughtered and culled cattle) and 22 percent were detected by passive surveillance.

BSE cases were found in all Member States except Austria, Greece, Luxembourg, Finland and Sweden.

The number of BSE cases and the overall prevalence in tested animals decreased, respectively, by 36 percent and 34 percent in 2003 compared to 2002. The most significant decrease was in at-risk animals. The number of cases in animals tested below 60 months

decreased by 32 percent. These reductions and the increasing age of positive cases indicate that measures taken in the past are having some effect.

In the NMS there was TSE testing of 945,042 bovine animals and 7,754 TSE tests in ovine and caprine animals in the Czech and Slovak Republic.

Of the NMS, BSE cases were detected in Poland, the Slovak Republic, the Czech Republic and Slovenia.

Specified Risk Materials

In May 2001 the European Commission adopted regulation 999/2001, which, among other things, establishes criteria to classify the BSE status of both Member States and third countries into one of five categories. Certain requirements, including the removal of Specified Risk Materials (SRM) then apply to a country depending on the classification.

SRM removal requirements state that slaughterhouses and authorized meat cutting and processing plants must remove the skull, including the brain and the eyes, the tonsils, the spinal cord and the ileum in cattle over 12 months; the intestines and the vertebral column; the skull, including the brain and the eyes, the tonsils and the spinal cord of sheep and goats over 12 months or of younger animals that have a permanent incisor erupted through the gum; and the spleen of sheep and goat of all ages. Under Regulation 1326/2001, the transitional measures passed in July 2001, only countries recognized as provisionally BSE-free (GBR-1) are not required to remove SRM's in order to export to the EU.

The U.S. is currently GBR classified in group III (Likely but not confirmed or confirmed at a lower level) according to a new publication from the European Food Safety Agency) EFSA in August 2004.

The Over Thirty-Month Scheme in the U.K.

In July 2003 the UK's Food Standards Agency (FSA) completed a review of the Over Thirty Month (OTM) rule and advised Ministers that it would be acceptable on health grounds to replace the rule with BSE testing of all OTM cattle before they enter the food chain.

Under the existing OTM rule, at an FSA estimated cost to the UK Government of circa BPS360 million per annum, farmers receive compensation for the lost market value of their cattle slaughtered over the age of 30 months which are barred from the food chain. The FSA estimated that BSE testing, as proposed, would cost circa BPS60 per annum. Despite the FSA's recommendation, the OTM rule currently remains in force, primarily due to concerns raised by the UK's Department of Health.

Classical Swine Fever

In case of outbreaks in the EU, one needs to resort to the slaughtering of all pigs of affected farms and destruction of cadavers and bedding, disinfections, designation of infected zone, control of pig movement, epidemiological investigation, tracing of sources and spread, surveillance of infected zone. If appropriate, emergency vaccination can also be used.

Visit our website: our website www.useu.be/agri/usda.html provides a broad range of useful information on EU import rules and food laws and allows easy access to USEU reports, trade information and other practical information.

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E34043	July 2004, ManCom results for Dairy, Poultry and Livestock	08/03/04
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E24044	European Commissioner David Byrn's first regular BSE report of the year	04/04/04
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Belgium

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Germany

Report Number	Title	Date Released
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GM4025	BSE in Germany – Update covering the first half year of 2004	07/16/2004

Hungary

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Italy

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IT4016	Italy reaches an agreement on implementation of June 2003 CAP Reform	07/29/04

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